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USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 12/18/2003

GAIN Report Number: JA3082

Japan

Frozen Potato Products

Annual

2003

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Report Highlights:

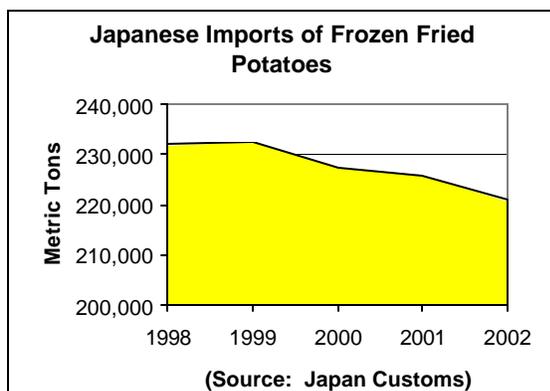
Japan's imports of frozen fried potatoes have decreased slightly since 1999, from 232,500 tons to 220,800 tons in 2002. Year to date has seen a more significant drop, however. The recent increase in health-oriented food habits in Japan has hurt consumption of frozen fried potatoes significantly. Japan's fast food restaurant chains, the largest user of frozen fried potatoes, now offer more options than just fried potatoes. Japan's cool summer in 2002 also reduced the consumption of fried potatoes at amusement parks. The United States lost market share slightly in 2002, to Canada, New Zealand, Australia and China. Japanese production of frozen fried potatoes is fairly small, accounting for approximately 3 percent of the total market.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Tokyo [JA1]
[JA]

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Overall Decline Due To Health-Oriented Consumer Habits



Japan's imports of frozen fried potato have declined slightly since 1999, from 232,500 tons to 220,800 tons in 2002.

The most recent statistics for total frozen potato imports, January through September 2003, show a drop of 10.2% in imports to 174,670 tons, compared to the same period the previous year, a decline in value of 14.0% to JPY 18.6 billion. The U.S. exported 137,377 metric tons, a drop of 13.2%. Canada, the second largest exporter, also experienced a decline of 26,946 tons, a decline of 8.0%.

With increasingly health-conscious consumers, Japanese fast food chains are turning to healthy menus. McDonald started a new service called "Mac Choice," for their customers to choose one side order from four options: fried potato, cup salad, pancake, and chicken nuggets. This selection has led to a decline in McDonald's potato usage of approximately 16%. McDonald's overall sales have been sluggish for last 12 months, and forecasts further decline.

The convenience store industry is also decreasing its use of fried potatoes. The convenience store industry is developing a diversified fast food menu at their stores in order to meet consumer demands. In place of the potato, Italian style hot sandwiches, Chinese style dim sum, and traditional Japanese snacks are increasingly available.

This year, Japan's cool summer reduced travel and attendance at recreational facilities during the vacation season, reducing fried potato consumption at amusement facilities, a major user of fried potatoes.

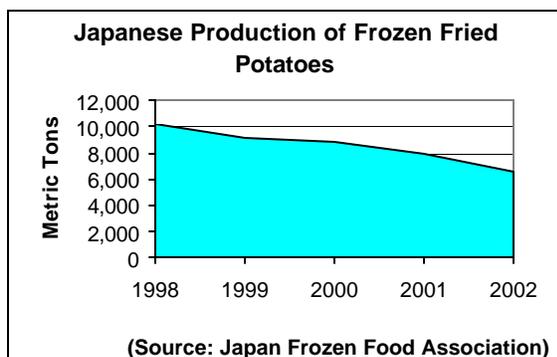
The Impact on U.S. Trade

While the U.S. is still the largest supplier to the Japanese market, U.S. market share is declining. Market share is down from an 84.6% in 2000 to 82.0% in 2002, representing about 180,000 metric tons. Canada, New Zealand, Australia, among others, gained market share during this period.

Japan's concern for GM potato is one reason why Canada, New Zealand and Australia are exporting more potatoes to Japan. The number two Japanese hamburger chain, MOS Burger, has switched to sourcing its potatoes from Canada and Australia, due to GM concerns.

China also exported more potato to Japan in 2002. Cheap labor allows China to offer potatoes with uniform length, and will remove all black spots/blemishes from the potatoes. Importers can push their costs down by sourcing from China, Australia and Canada.

Japanese Domestic Production



Japanese production of frozen fried potatoes has been declining yearly, due largely to higher production cost in Japan. In 2002, total production was 6,527 metric tons, down approximately 17 percent from the previous year. Domestic frozen fried potatoes were almost twice as expensive as imports. The average price of domestic products was \$1.64 (180 yen) per kilogram (FOB at Japanese manufacturer) in 2002, while the average price of imported products was \$0.84 per kilogram (CIF). The domestic product market share was

approximately 3 percent.

Import Duties

These duties are not subject to further reductions outside of the next round of WTO negotiations. The applicable import duties are as follows:

Tariff Code (HS)	Description	Duty Rate
2004.10-100	Frozen Potatoes - cooked not otherwise prepared	8.5 %
2004-.10-220	Frozen Potatoes - other	9.0 %

All duties are charged on a CIF basis.

PS&D Tables and Trade Matrices

Frozen Fried Potato PS&D Table

PSD Table

Country	Japan		Frozen		Potato		(MT)(MT, Net Weight)
	Product		s				
Commodity	2001	Revised	2002	Estimate	2003	Forecast	
	USDA	Post	USDA	Post	USDA	Post	
	Official	Estimate	Official	Estimate	Official	Estimate	
	[Old]	[New]	[Old]	[New]	[Old]	[New]	
Market Year Begin	07/2001		07/2002		07/2003		
Deliv. To Processors	0	20000	0	20000	0	20000	
Beginning Stocks	0	0	0	0	0	0	
Production	7888	7888	7500	6527	0	5500	
Imports	266556	220891	260660	204856	0	200000	
TOTAL SUPPLY	274444	228779	268160	211383	0	205500	
Exports	0	0	0	0	0	0	
Domestic Consumption	274444	228779	268160	211383	0	205500	
Ending Stocks	0	0	0	0	0	0	
TOTAL DISTRIBUTION	274444	228779	268160	211383	0	205500	

Frozen Fried Potato Import Trade Matrix

Import Trade Matrix

Country Japan
Commodity Frozen Potato Products

Time Period	Jan.-Dec.	Units:	Metric Tons
Imports for:	2001		2002
U.S.	190712	U.S.	181076
Others		Others	
Canada	31537	Canada	35517
New Zealand	1557	New Zealand	2074
Netherlands	1079	Netherlands	1140
Belgium	190	China	346
China	285	Belgium	127
Italy	433	Italy	277
Egypt	122	Australia	161
		Egypt	65
Total for Others	35203		39707
Others not Listed	58		51
Grand Total	225973		220834